



Consolidated Financial Statements

TLC The Land Conservancy of British Columbia

April 30, 2018

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# Independent Auditors' Report

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To the directors of TLC The Land Conservancy of British Columbia

We have audited the accompanying consolidated financial statements of TLC The Land Conservancy of British Columbia, which comprise the consolidated statement of financial position as at April 30, 2018, and the consolidated statements of operations, changes in fund balances, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

## **Basis for qualified opinion**

In common with many non-profit organizations, TLC The Land Conservancy of British Columbia derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of TLC The Land Conservancy of British Columbia. Therefore, we were not able to

determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended April 30, 2018 and 2017, current assets as at April 30, 2018 and 2017, and fund balances as at May 1, 2018 and 2017 and April 30, 2018 and 2017. Our audit opinion on the financial statements for the year ended April 30, 2018 was modified accordingly because of the possible effects of this limitation in scope.

**Qualified opinion**

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Society as at April 30, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Victoria, Canada  
August 25, 2018

*Grant Thornton LLP*

Chartered Professional Accountants

# TLC The Land Conservancy of British Columbia

## Consolidated Statement of Operations

Year ended April 30

2018

2017

	General Fund	Restricted Fund	Endowment Fund	Total	Total
Revenue					
Donations	\$ 289,326	\$ 113,368	\$ -	\$ 402,694	\$ 811,110
Grants	13,227	25,400	-	38,627	12,047
Memberships	154,557	675	-	155,232	168,569
Other income	9,338	(99)	-	9,239	6,516
Donations in-kind	47,400	20,007	-	67,407	147,927
Rental income	-	30,062	-	30,062	31,695
	<u>513,848</u>	<u>189,413</u>	<u>-</u>	<u>703,261</u>	<u>1,177,864</u>
Expenses					
Advertising	4,250	5,580	-	9,830	8,616
Amortization	6,548	3,696	-	10,244	16,886
Consulting	-	3,271	-	3,271	7,607
Fundraising	1,043	-	-	1,043	1,148
Interest and bank charges	7,091	-	-	7,091	13,145
Interest on long-term debt	-	(287)	-	(287)	42,652
Insurance	10,500	10,488	-	20,988	25,345
Licenses, dues, and fees	1,565	100	-	1,665	1,403
Office supplies, printing, postage	27,808	2,502	-	30,310	23,699
Other expenses	54,471	8,150	-	62,621	67,732
Professional fees	69,004	40,102	-	109,106	120,334
Property taxes	-	16,173	-	16,173	20,312
Rent and utilities	23,143	17,043	-	40,186	38,139
Repairs and maintenance	4,170	3,711	-	7,881	62,744
Salaries, wages and benefits	158,404	216,385	-	374,789	341,373
Telephone	8,582	1,393	-	9,975	13,968
Transfer to other agencies	3,500	12,042	-	15,542	110,259
Travel	3,549	3,396	-	6,945	5,409
CCAA related expenses	-	-	-	-	57,533
	<u>383,628</u>	<u>343,745</u>	<u>-</u>	<u>727,373</u>	<u>978,304</u>
(Deficiency) excess of revenue over expenses before other items	130,220	(154,332)	-	(24,112)	199,560
Debt extinguishment	-	-	-	-	2,307,985
Transfer of conservation lands	-	-	-	-	(443,182)
(Deficiency) excess of revenue over expenses	<u>\$ 130,220</u>	<u>\$ (154,332)</u>	<u>\$ -</u>	<u>\$ (24,112)</u>	<u>\$ 2,064,363</u>

See accompanying notes to the consolidated financial statements.

**TLC The Land Conservancy of British Columbia**  
**Consolidated Statement of Changes in Fund Balances**

Year ended April 30

**2018**

2017

	<u>General Fund</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>	<u><b>Total</b></u>	<u>Total</u>
Fund balances, beginning of year	\$ 400,387	\$ 25,527,955	\$ 10,000	\$ <b>25,938,342</b>	\$ 23,873,979
(Deficiency) excess of revenue over expenses	130,220	(154,332)	-	<b>(24,112)</b>	2,064,363
Interfund transfer (Note 10)	<u>13,200</u>	<u>(13,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 543,807</u>	<u>\$ 25,360,423</u>	<u>\$ 10,000</u>	<u>\$ <b>25,914,230</b></u>	<u>\$ 25,938,342</u>

See accompanying notes to the consolidated financial statements.

# TLC The Land Conservancy of British Columbia

## Consolidated Statement of Financial Position

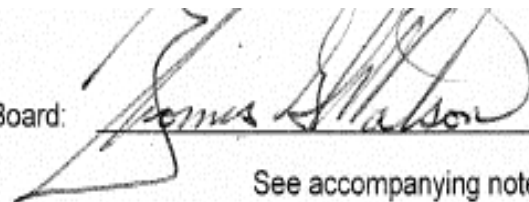
April 30

2018

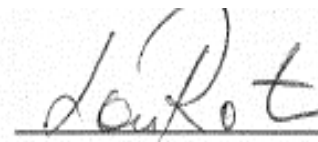
2017

	General Fund	Restricted Fund	Endowment Fund	Total	Total
<b>Assets</b>					
Current					
Cash and cash equivalents	\$ 334,153	\$ 144,146	\$ -	\$ 478,299	\$ 523,853
Cash held in trust	-	25,000	-	25,000	56,050
Receivables	17,217	-	-	17,217	36,437
Prepays	12,750	6,284	-	19,034	7,736
	<u>364,120</u>	<u>175,430</u>	<u>-</u>	<u>539,550</u>	<u>624,076</u>
Investments (Note 3)	129,000	-	-	129,000	129,000
Conservation covenants (Note 2(f))	-	16,413,399	-	16,413,399	16,413,399
Capital assets (Note 4)	18,435	9,017,750	-	9,036,185	9,031,419
	<u>\$ 511,555</u>	<u>\$ 25,606,579</u>	<u>\$ -</u>	<u>\$ 26,118,134</u>	<u>\$ 26,197,894</u>
<b>Liabilities</b>					
Current					
Payables and accruals	\$ 73,924	\$ 5,336	\$ -	\$ 79,260	\$ 134,618
Due to (from) other fund	(106,176)	116,176	(10,000)	-	-
Mortgage payable (Note 5)	-	124,644	-	124,644	124,934
	<u>(32,252)</u>	<u>246,156</u>	<u>(10,000)</u>	<u>203,904</u>	<u>259,552</u>
<b>Fund Balances</b>					
Invested in conservation covenants	-	16,413,399	-	16,413,399	16,413,399
Invested in capital assets	18,435	8,777,878	-	8,796,313	8,908,726
Internally restricted (Note 10)	-	116,174	-	116,174	134,259
Externally restricted	-	52,972	10,000	62,972	116,548
Unrestricted	525,372	-	-	525,372	365,410
	<u>543,807</u>	<u>25,360,423</u>	<u>10,000</u>	<u>25,914,230</u>	<u>25,938,342</u>
	<u>\$ 511,555</u>	<u>\$ 25,606,579</u>	<u>\$ -</u>	<u>\$ 26,118,134</u>	<u>\$ 26,197,894</u>

On behalf of the Board:



Director



Director

See accompanying notes to the consolidated financial statements.

# TLC The Land Conservancy of British Columbia

## Consolidated Statement of Cash Flows

Year ended April 30

				2018	2017
	General Fund	Restricted Fund	Endowment Fund	Total	Total
Increase (decrease) in cash					
<b>Operating activities</b>					
(Deficiency) excess of revenue over expenses	\$ 130,220	\$ (154,332)	\$ -	\$ (24,112)	\$ 2,064,363
Items not involving cash					
Amortization of capital assets	6,548	3,696	-	10,244	16,886
Debt extinguishment	(3,593)	(11,388)	-	(14,981)	(2,307,985)
Donations in-kind	(2,168)	-	-	(2,168)	(147,927)
Loss on capital asset disposition	25,580	-	-	25,580	-
Transfer of non cash assets	-	17,151	-	17,151	443,182
	<u>156,587</u>	<u>(144,874)</u>	<u>-</u>	<u>11,713</u>	<u>68,519</u>
Changes in non-cash operating working capital (Note 8)	<u>(48,727)</u>	<u>32,343</u>	<u>-</u>	<u>(16,384)</u>	<u>(741,043)</u>
	<u>107,860</u>	<u>(112,531)</u>	<u>-</u>	<u>(4,671)</u>	<u>(672,524)</u>
<b>Financing activities</b>					
Debt repayment	-	(290)	-	(290)	(1,382,361)
<b>Investing activities</b>					
Purchase of capital assets	(9,827)	(30,767)	-	(40,594)	(10,112)
Proceeds on transfer of conservation lands	-	-	-	-	1,994,000
	<u>(9,827)</u>	<u>(30,767)</u>	<u>-</u>	<u>(40,594)</u>	<u>1,983,888</u>
Net change in due to (from) other funds	(102,976)	102,976	-	-	-
Net (decrease) increase in cash and cash equivalents	98,033	(143,587)	-	(45,554)	(70,997)
Cash and cash equivalents, beginning of year	<u>339,096</u>	<u>184,757</u>	<u>-</u>	<u>523,853</u>	<u>594,850</u>
Cash and cash equivalents, end of year	\$ <u>334,153</u>	\$ <u>144,146</u>	\$ <u>-</u>	\$ <u>478,299</u>	\$ <u>523,853</u>

See accompanying notes to the consolidated financial statements.



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# **TLC The Land Conservancy of British Columbia**

## **Notes to the Consolidated Financial Statements**

April 30, 2018

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### **1. Purpose of the Society**

The purpose of the Society is to protect plants, animals, natural communities and landscape features that represent diversity of life on earth, by protecting the lands and waters they need to survive, and to protect areas of scientific, historical, cultural, scenic or compatible recreation value. This is accomplished by acquiring protective control of these lands and waters through ownership of the land, long-term leases or conservation covenants. The Society is a registered charity under the provisions of the Income Tax Act.

As a charity, the Society's primary sources of revenue are contributions from the public (including gifts of land), membership revenue, and government grants. These resources are used to carry out the Society's mandate as described above. The Society continually seeks funding to continue its conservation activities and to meet its ongoing administrative requirements and to fund on-going costs associated with the ownership, maintenance and up-keep of such conservation assets.

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### **2. Summary of significant accounting policies**

#### **(a) Principles of consolidation**

The consolidated financial statements consist of the accounts of the Society and its wholly-owned subsidiary company, TLC The Land Conservancy (Enterprises) Ltd.

#### **(b) Fund accounting and revenue recognition**

The Society follows the restricted fund method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions in kind are recognized at fair value at the date of contributions, if determinable.

Membership revenue is recognized as received.

Rental income and all other revenues are recognized as revenue in the period in which it is earned.

The General Fund accounts for the Society's administrative and operational activities. The fund reports donations received for which there are no restrictions attached by the donor.

Restricted contributions subject to externally imposed restrictions specifying how the funds are to be used are disclosed in the Restricted Fund. The Restricted Fund also reflects contributions received for the acquisition and conservation of certain capital assets and net investment in such capital assets.

Endowment Funds report contributed resources that have been restricted for endowment purposes, either externally by the contributor or internally by the Board. Investment income earned on these funds is internally restricted to be re-invested into such funds, unless decided otherwise by the Board.

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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2018

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### (c) Cash and cash equivalents

Cash and cash equivalents are comprised of cash in the bank, cash on hand and financial instruments with maturity dates of three months or less when acquired.

### (d) Investments

Long-term investments are carried at cost and are written down when it has been determined that there has been a loss in value that is other than temporary.

### (e) Capital assets and amortization

Capital assets are recorded at cost. Amortization is provided for by using the declining balance method and the following rates:

Buildings	5%
Furniture and equipment	5%, 20%, 30% and 50%
Computer equipment and software	30% and 50%
Vehicles	30%

The Society also owns historic collections with a cost of \$995 (2017: \$995). No amortization is being provided for on such assets.

### (f) Conservation land and covenants

A conservation covenant is a voluntary, written agreement between a landowner and one or more covenant holders. It can cover all or part of a parcel of property. In the agreement, the landowner promises to protect the land or features on the land in ways that are specified in the covenant. The conservation covenant is registered against title to the property in the British Columbia Land Title Register under section 219 of the Land Title Act. A conservation covenant registered under this section may be modified by the holder of the charge and the owner of the land charged, or discharged by the holder of the charge. Once registered on title, that agreement runs with the title and binds all future owners. Conservation lands and covenants are either purchased or donated.

Purchased conservation lands and covenants are recorded at cost when title is transferred. Contributed conservation lands and covenants are recorded at fair market value when title is transferred. Landowners may receive an income tax receipt for the donation of a conservation covenant to a registered charity. The value of the receipt is determined by a certified land appraiser and usually represents the difference in the appraised value of the property before and after the conservation restrictions are in place. A covenant's value is measured as the difference between the fair value of the property before and after the covenant is registered.

The contributions are recorded as revenue and also as an asset in conservation lands and covenants. Properties transferred to others are recorded as a reduction of conservation land and covenants and net assets invested in conservation covenants.

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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2018

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### **(g) Contributed assets**

Contributed capital assets are recognized at their fair value, which is supported by independent appraisal. During the current year, the Society did not receive any contributed lands or covenants.

### **(h) Endowment contributions**

The Society receives endowment contributions which are specified for transfer for holding purposes to the Victoria Foundation. Receipts are shown as revenues of the General Fund and the corresponding transfer is shown in expenses under transfers to other agencies. These funds are held by the Foundation and the Society is entitled to receive an annual distribution from income earned on them between 2% and 4.5%. As at March 31, 2018, the funds held by the Victoria Foundation had a fair market value of approximately \$975,749. The Society also is the recipient of distributions from endowment funds held by the Vancouver foundation with a fair market value of \$165,390.

### **(i) Financial instruments**

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value with changes in fair value recorded in the statement of operations. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### **(j) Long-lived assets**

The Society regularly reviews the long-term service potential of long-lived assets to the Society. If there is a change to the long-term service potential in the future, the Society may be required to record impairment charges for these assets.

# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2018

### 2. Summary of significant accounting policies (continued)

#### (k) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

3. Investments, at cost	2018	2017
Investment in Horse Lake Community Farm Co-operative	\$ 5,000	\$ 5,000
Charitable Remainder Trust investments	<b>124,000</b>	124,000
	<b>\$ 129,000</b>	\$ 129,000

4. Capital assets			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
<b>Restricted Fund</b>				
Conservation lands	\$ 8,946,320	\$ -	\$ 8,946,320	\$ 8,927,320
Buildings	154,717	85,814	<b>68,903</b>	61,299
Furniture and equipment	8,394	6,862	<b>1,532</b>	4,649
Historic collections	995	-	<b>995</b>	995
Leasehold improvements	-	-	-	2,177
	<b>\$ 9,110,427</b>	<b>\$ 92,676</b>	<b>\$ 9,017,750</b>	<b>\$ 8,996,440</b>
<b>General Fund</b>				
Furniture and equipmer	\$ 6,403	\$ 2,523	\$ 3,880	\$ 12,838
Computer equipment	24,847	13,035	<b>11,812</b>	18,222
Vehicle	56,335	53,592	<b>2,743</b>	3,919
	<b>\$ 87,585</b>	<b>\$ 69,150</b>	<b>\$ 18,435</b>	<b>\$ 34,979</b>

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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2018

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<b>5. Mortgage payable</b>	<u>2018</u>	<u>2017</u>
(a) Mortgage payable is secured by Qualicum Bat House property, to be extinguished through foreclosure of property by 0793468 B.C. Ltd. The information noted above pertains to the original terms and conditions of the mortgage. These conditions have changed due to the Society finalizing a restructuring under CCAA. All debt was subject to the Revised Plan of Arrangement and Compromise.	<b>\$ 124,648</b>	<b>\$ 124,934</b>

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### 6. Supplementary cash flow information

	<u>General</u>	<u>Restricted</u>	<u>2018</u>	<u>2017</u>
Changes in non-cash working capital				
Cash held in trust	\$ -	\$ 31,050	<b>\$ 31,050</b>	45,081
Receivables	19,222	-	<b>19,222</b>	\$ (23,333)
Prepays	(12,750)	1,452	<b>(11,298)</b>	2,597
Payables and accruals	<u>(55,199)</u>	<u>(159)</u>	<b><u>(55,358)</u></b>	<u>(765,388)</u>
	<b>\$ (48,727)</b>	<b>\$ 32,343</b>	<b>\$ (16,384)</b>	<b>\$ (741,043)</b>

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### 7. Commitments

Subsequent to year end, the Society signed a new lease agreement for their office space which extends to March, 2019. The following are the minimum annual lease payments under the lease:

2019	<b>\$ <u>10,009</u></b>
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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2018

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### 8. Financial Instruments

The Society is exposed to various risk through is financial instruments.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society's main credit risks relate to its accounts receivable. There was no significant change in exposure from the prior year.

#### Interest rate risk

The Society is exposed to interest rate risk with respect to its fixed rate debt. In addition the Society is exposed to interest rate risk with respect to its floating rate debt because cash flows will fluctuate as the interest rate is linked to the bank's prime rate which is subject to change.

#### Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting the obligations associated with its financial liabilities. The Society's financial liabilities are comprised of its accounts payable, accrued liabilities, and accrued restructuring liabilities.

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### 9. Remuneration

Under the British Columbia Societies Act there is a requirement to disclose the remuneration paid to all directors, and certain employees and contractors who are paid at least \$75,000 annually.

During the year, the Society paid no remuneration to directors.

During the year, the Society paid no remuneration to employees or contractors in excess of \$75,000.

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### 10. Internally restricted funds and interfund transfers

The Society has internally restricted funds for future staffing reserves and for future improvements to the Abkhazi Garden property. As of April 30, 2018, the balance of these two internally restricted amounts were \$76,800 and \$39,374 respectively. These internally restricted amounts were transferred from the general fund.

Also, during the year the Board of Directors transferred \$13,200 out of the restricted fund into the general fund.

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### 11. Related party transactions

During the year, the Society received contributions from members of the board of directors totalling \$24,671. Included in this amount are donations in kind of \$20,856. Cash and donations in kind are valued at the fair market value of the items received on the date of the contribution.

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